

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD), and The Termo Company (Termo), a company authorized to do business in Wyoming, enter into this Settlement Agreement to fully and finally resolve without litigation the violations alleged in **Notice of Violation (NOV) Docket Number 3887-06 dated May 30, 2006.**

W.S. §35-11-901(a)(ii) authorizes the DEQ to negotiate a stipulated settlement, including payment of a penalty, in lieu of litigation. To that end, Termo and the DEQ hereby stipulate and agree as follows:

1. The DEQ, pursuant to W.S. §35-11-104, is a department in the executive branch of the state government of Wyoming and is principally situated in Cheyenne, Wyoming. DEQ is the agency with the responsibility for administering the Wyoming Environmental Quality Act (Act) including all provisions of the Wyoming Water Quality Rules and Regulations (WWQRR).

2. Termo is the owner and operator of the Kline Draw coal bed methane (CBM) production project in Campbell County, Wyoming. NOV Docket Number 3887-06 alleges the discharge of CBM produced water from Termo's Kline Draw project without a WYPDES permit.

3. Termo discovered the alleged violation on April 19, 2006 and self-reported the alleged violation to the DEQ on April 21, 2006. At the time of discovering the violation, Termo had already ceased discharging and Termo ordered its field personnel not to resume discharging. On May 28, 2006, prior to receiving the NOV, Termo submitted an application for WYPDES Permit No. WY0054810 for Kline Draw. That application was in the July 2006 public comment pool and approval is pending. Termo has also submitted information to the DEQ to explain steps it has taken to prevent reoccurrence of the alleged violations.

4. Termo agrees to pay a total penalty of seventeen thousand dollars and no cents (\$17,000.00) as a stipulated settlement to resolve this matter in lieu of litigation under W.S. §35-11-901(a)(ii). Payment shall be according to the following plan: Termo shall pay \$17,000.00 directly to the DEQ in four (4) monthly installments of four thousand two hundred fifty dollars and no cents (\$4,250.00) each. The first payment of \$4,250.00 to the DEQ shall be due and payable within thirty (30) days of the full execution of this Settlement Agreement or by November 30, 2006, which ever occurs first. The second payment of \$4,250.00 to the DEQ shall be due and payable by December 31, 2006. The third payment of \$4,250.00 to the DEQ shall be due and payable by January 31, 2007. The final payment of \$4,250.00 to the DEQ shall be due and payable by February 28, 2007. Payment to DEQ shall be by check made payable to the Wyoming Department of Environmental Quality, Water Quality Division and shall be sent to: Mr. Brian R. Bohlmann, P.E., Compliance & Enforcement Coordinator, Department of Environmental Quality, Water Quality Division, Herschler Building 4th Floor-West, 122 West 25th Street, Cheyenne, Wyoming 82002. The checks should reference NOV Docket Number 3887-06.

5. Termo's full compliance with the terms of this signed Settlement Agreement shall constitute full satisfaction for and resolution of all claims by the DEQ against Termo based on the violations alleged in NOV Docket Number 3887-06. Contingent upon Termo's compliance with the terms of this Settlement Agreement, the DEQ will refrain from taking further enforcement actions against Termo for these particular alleged violations.

6. Termo waives any statute of limitations which may apply to an enforcement action by the DEQ involving the specific matters described in Notice of Violation Docket Number 3887-06 in the event that Termo fails to fulfill their obligations under this Settlement Agreement.

7. Nothing in this agreement precludes DEQ from taking additional enforcement action, including the issuance of a Notice of Violation, Order, and/or pursuing additional penalties, should Termo violate the Act or applicable rules and regulations in the future.

8. This Settlement Agreement does not constitute an admission by Termo or a retraction by DEQ of the violations alleged in NOV Number 3887-06.

9. This Settlement Agreement shall be admissible by either party without objection by the other party in any action between these parties to enforce its terms.

10. Notwithstanding any other language in this Settlement Agreement, the State of Wyoming and DEQ do not waive sovereign immunity by entering into this Settlement Agreement with Terno and specifically retain all immunity and all defenses available as sovereigns under state and federal law.

11. Each party shall bear its own attorney fees and costs, if any incurred, through the date this Settlement Agreement is signed by both parties.

12. This Settlement Agreement is binding upon Terno, its successors and assigns, and upon the DEQ.

13. The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective parties to this Settlement Agreement.

14. Full execution of this Settlement Agreement shall be determined by the latest date when signed by all parties.

FOR: THE TERMO COMPANY

Signed: Trent R. Rosenlieb

Typed: Trent R. Rosenlieb

Title: Operations Manager

Date: 2 Nov '06

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:

John V. Corra
John V. Corra
Director
Department of Environmental Quality

Date: 10/26/06

John F. Wagner
John F. Wagner
Administrator
Water Quality Division

Date: 10/26/06

JVC/JFW/BRB/bb/6-0982.SA

cc: Colleen Gillespie, 8ENF-W-NP, EPA Region 8 (signed copy by all parties only)
Brian R. Bohlmann, P.E., WYPDES Compliance & Enforcement Coordinator
Mike Barrash, Senior Assistant Attorney General
James B. Eisenhauer, Sheridan DEQ Office (signed copy by all parties only)
Bill J. DiRienzo ► Brian K. Lovett ► Leah J. Krafft
IPS (for scanning) ► Docket 3887-06
Keith Guille, DEQ Public Information Officer (PDF File of signed copy by all parties only)